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INFO RUEHAK/AMEMBASSY ANKARA 0318  
RUEHBJ/AMEMBASSY BEIJING 2090  
RUEHBR/AMEMBASSY BRASILIA 0470  
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RUEHMD/AMEMBASSY MADRID 0907  
RUEHMO/AMEMBASSY MOSCOW 3101  
RUEHNY/AMEMBASSY OSLO 1298  
RUEHOT/AMEMBASSY OTTAWA 0008  
RUEHFR/AMEMBASSY PARIS 6589  
RUEHRO/AMEMBASSY ROME 2309  
RUEHUL/AMEMBASSY SEOUL 8758  
RUEHSM/AMEMBASSY STOCKHOLM 0747  
RUEHTC/AMEMBASSY THE HAGUE 1116  
RUEHKO/AMEMBASSY TOKYO 4181  
RUEHVI/AMEMBASSY VIENNA 0207  
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C O N F I D E N T I A L TOKYO 002754

SIPDIS

STATE FOR EEB/ESC TOM HAMMANG, EEB/TFS CHRIS BACKEMEYER,  
NEA/IR FOR RAJ V WADHWANI

E.O. 12958: DECL: 12/01/2019

TAGS: [ECON](#) [ENRG](#) [EPET](#) [ETTC](#) [IR](#) [PREL](#) [JA](#)

SUBJECT: JAPAN RESPONSE TO IRAN SANCTIONS ACT: REPORTED  
INVESTMENT IN THE IRANIAN OIL AND GAS SECTOR

REF: STATE 121808

Classified By: Deputy Chief of Mission James P. Zumwalt for Reasons 1.4  
(b),(d).

¶1. (C) SUMMARY: Japanese government officials and INPEX company representatives confirmed the company holds a 10 percent stake in Iran's South Azadegan oilfield. Officials from both the Ministry of Economy, Trade and Industry (METI) and INPEX said the firm has not made any investment in Iran's hydrocarbons sector since INPEX reduced its stake in Azadegan from 75 percent in 2006. An INPEX executive characterized the firm's stake in Azadegan as intended to recover initial investment expenditures, and added the company has written off half of the investment in its internal accounting. The INPEX official expressed doubt the field will materialize into a consistent revenue stream, and said the company has no plan to invest further. METI oil and gas sector officials said they were not aware of any other investment by Japanese firms in Iran's hydrocarbons sector. END SUMMARY.

¶2. (C) Per reftel instructions, econoff met with INPEX Corporate Strategy and Planning Group Manager Hiroshi Ikeda and Middle East Unit Senior Coordinator Akihito Fuse, and with METI Trade Policy Bureau, Middle East Division Director Kiyoshi Mori and Senior Deputy Director Hideaki Fujisawa. Econoff also met with METI Agency for Natural Resources and Energy (ANRE) Oil and Gas Division Director Hirohide Hirai.

¶3. (C) INPEX's Ikeda said the firm holds a 10 percent stake in South Azadegan, which it reduced from 75 percent in October 2006. INPEX initially entered a risk

services/buyback contract with the Naftiran Intertrade Company (NICO), a subsidiary of the National Iran Oil Corporation (NIOC), in 2004 to develop and operate the first phase of the project. In 2006 the firm reduced its stake to 10 percent, an amount Ikeda said would enable INPEX to recover its initial investment, and transferred the remainder of its stake to NICO. (Note: Post understands a number of factors contributed to INPEX's divestiture, including safety concerns due to uncleared mine fields, disputes with NIOC over the scale and timing of the project, political pressure from the United States, and international concerns surrounding Iran's nuclear program. End note.)

¶4. (C) Ikeda characterized INPEX's remaining 10 percent stake as intended to maintain the firm's legal right to recover costs incurred under the services contract. Ikeda said the balance of its investment does not exceed \$20 million, and would amount to less than one percent of INPEX's \$17 billion balance sheet in 2008. Ikeda added the firm does not expect development under NIOC to progress and has, in fact, written off half of the investment in its internal accounting. Ikeda added the company maintains a two-person office in Tehran, the role of which is to monitor developments in the Iranian oil sector.

¶5. (C) Ikeda said INPEX is aware from media reports that NICO has concluded an agreement with the China National Petroleum Corporation (CNPC) to further develop the Azadegan oilfield. He said INPEX has not received official notification from either NICO or CNPC to create a new joint operating agreement

specifying CNPC as a third partner. Ikeda said he expects CNPC's development of the oilfield, if any, to proceed slowly, citing difficulty financing the project or procuring necessary equipment in the face of international sanctions.

¶6. (C) Ikeda confirmed INPEX's involvement in the Soroosh and Norwruz project ended with the project's completion in 2005. Ikeda reiterated the firm has no other investment in Iran and has no plans to undertake any.

¶7. (C) METI Trade Policy Bureau's Mori was unaware of the October 20 Congressional letter or A/S Feltman's commitment to a preliminary review. However, Mori confirmed, to his knowledge, no Japanese firm other than INPEX has current investments in Iran's hydrocarbons sector.

¶8. (C) ANRE's Hirai expressed appreciation for post's notification of the Congress's interest and the Department's preliminary review and said he is also not aware of any Japanese firms' participation in Iran's oil and gas sector apart from INPEX's 10 percent stake in Azadegan. He added that, in light of the current sanctions regime and political risk of doing business in Iran, METI would likely be aware of any investment. Hirai also said CNPC would likely face difficulty sending funds or transporting equipment to Iran in the face of international sanctions, and said INPEX has not received a cash call as would be expected if investment were proceeding.

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